

Report To:	OVERVIEW (AUDIT) PANEL
Date:	31 July 2017
Reporting Officer:	Councillor J M Fitzpatrick - First Deputy Performance and Finance Ian Duncan – Assistant Executive Director Resources (Section 151 Officer)
Subject:	AUDIT FINDINGS REPORT (ISA 260) TAMESIDE MBC AND GREATER MANCHESTER PENSION FUND
Report Summary:	This report highlights the key matters arising from Grant Thornton’s audit of the 2016/17 financial statements of both Tameside MBC and Greater Manchester Pension Fund, (Appendix 3) which Grant Thornton is required to report under the Audit Commission’s Code of Audit Practice and the International Standard of Auditing. This report also incorporates the annual Value for Money conclusion.
Recommendations:	It is recommended that the Panel:- <ol style="list-style-type: none"> 1. Considers the matters raised in the report. 2. Notes the positive relationship with the audit team and successful progress of the audit. 3. Agrees to the adjustments and presentational changes to the accounts, as detailed in the Audit Findings report (Appendix 1 and Appendix 3). 4. Notes the value for money conclusion included in the Audit Findings report (Appendix 1). 5. Confirms that the Council has complied with all matters set out in the Letter of Representation and ensure that a signed copy is forwarded to the External Auditor (Appendix 2 and Appendix 4).
Financial Implications: (Authorised by the Section 151 officer)	The Statement of Accounts sets out full details of the Council’s financial position as at 31 March 2017. The audit process ensures that this position is stated clearly and accurately in line with the relevant guidance.
Legal Implications: (Authorised by the Borough Solicitor)	This is the annual report/assessment prepared by our external auditors following the audit of the financial statements/accounts and consideration of the Council’s financial resilience. It is a key tool in assessing how well the Council is performing in respect of its finance and governance. The report is still draft and the auditors will update at the meeting should there be any material findings.
Links to Community Strategy:	The Community Strategy has helped determine priorities for Council spending, which is summarised in the 2016/17 Annual Report and Accounts.
Policy Implications:	There are no policy implications flowing from the Statement of Accounts.
Risk Management:	The audit provides external verification of the Council’s financial statements.

Access to Information:

The background papers relating to this report can be inspected by contacting the report writer, Julie Hardman, Financial Management:



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1. BACKGROUND

- 1.1 The draft Audit Findings Report (ISA260), as attached at **Appendix 1**, is a standard report delivered by the External Auditors – Grant Thornton.
- 1.2 The draft report highlights the key issues following the results of the audit carried out by Grant Thornton on the Council's Statement of Accounts for the year ended 31 March 2017. A separate **Appendix 3** considers the audit of the accounts of the Greater Manchester Pension Fund. Once these have been considered, the audited accounts can be agreed (subject to any further changes that are proposed by the Panel).
- 1.3 Many of the terms used in the report are defined and have precise meanings. Grant Thornton has guideline formulae, which specify the importance of any adjustments they recommend. These are specific to each Council, but any recommended changes must be considered for their individual and overall impact on the accuracy of the accounts as well as for the specific value of the change. For Tameside MBC, amounts around £250,000 or less are regarded as 'trivial'. Amounts which are above this level but (in total) less than about £10 million are described as 'non-trivial'. Cumulative amounts above £10 million are regarded as material, although this may vary for different statements.
- 1.4 The statutory deadline for the production and publication of the draft 2016/17 statement of accounts is 30 June 2017, with external audit and Overview (Audit) Panel sign off by 30 September 2017. However, for the 2017/18 financial year, the statutory deadlines are being brought forward to 31 May 2018 for the draft accounts and 31 July 2018 for the audited accounts. It was therefore decided that the 2016/17 process be brought forward in preparation for these new tighter timescales, so that lessons could be learned on the accelerated process before it comes into effect. Therefore, these accounts are being laid some six weeks earlier than in previous year, and the accelerated timetable has meant that the full documentation and annexes will not be available until the day of the meeting.

2. INTRODUCTION

External Auditor – Grant Thornton

- 2.1 This is the fifth year that Grant Thornton has audited the accounts. The Panel will be aware that subsequent to the Department for Communities and Local Government announcing that the Audit Commission had been wound up, audit work within the North West Region is now carried out by Grant Thornton.

Financial Statements

- 2.2 There have been significant changes in the reporting requirements for the 2016/17 accounts. Details of the proposed accounting policies, critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts were outlined to Members in May 2017, in preparation for the closure of the accounts.
- 2.3 The accounts have been prepared by Officers on behalf of the Council. Following the conclusion of the audit, possible adjustments are recommended to the Panel by Grant Thornton, as set out in the Audit Findings report in **Appendix 1**.

3. OUTCOMES OF THE AUDIT

- 3.1 This year has again proved to be a very challenging year to close the accounts. The finance team has continued to reduce in size following a service review. In addition, there are both substantial legislative changes to the core financial statements and key prior year

re-statements. Efficiencies will be embedded into the closure process for 2017/18 to achieve the earlier statutory publishing deadlines.

- 3.2 Despite these challenges, the year end closure of the accounts and the subsequent external audit process has again been completed well within the statutory timescales and the conclusion of the audit indicates that the accounts continue to be prepared to a high degree of accuracy and reliability. Members should take considerable reassurance from the reliability of the accounts. Once again, this year the auditors have been very positive about the overall quality of the accounts and they have commented on the high level of support given by Council Officers.
- 3.3 The audit identified a number of adjustments and presentational changes to the accounts, as detailed in the Audit Findings report prepared by Grant Thornton (attached at **Appendix 1**). Members are advised that none of the adjustments altered the reported surplus on the Council's General Fund Balance.
- 3.4 The key changes that were agreed and have been made are set out at pages 11 and 12 of the Audit Findings report. They relate to the correction of the value of operating expenses, (to exclude internal charges) and the main amendment to property revaluations reported incorrectly which impacted on the Balance sheet and related notes. These changes had no impact on the overall financial position of the Council.
- 3.5 It should be noted that the absence of any impact from these changes on the General Fund Balance confirms that they are technical and presentational and do not change the financial position of the Council first calculated by Officers.
- 3.6 Officers are currently reviewing the outcomes of the audit and the recommendations arising from it to identify changes needed to improve the closure process in 2017/18.

4. LETTER OF REPRESENTATION

- 4.1 **Appendix 2** includes the Council's Letter of Representation for 2016/17 for Tameside and **Appendix 4** for the Pension Fund. The Panel are asked to confirm that the Council has complied with all matters set out in the Letter of Representation and ensure that a signed version is forwarded to the External Auditor. **Appendix 2** includes the Council's Letter of Representation for 2016/17. The Panel are asked to confirm that the Council has complied with all matters set out in the Letter of Representation and ensure that a signed version is forwarded to the External Auditor.

5. VALUE FOR MONEY

- 5.1 Grant Thornton is also required to provide a value for money conclusion. The conclusion as set out in Section 3 of the Audit Findings Report (**Appendix 1**) follows a review of the arrangements put in place by the Council to:-
 - Secure economy, efficiency and effectiveness in its use of resources;
 - Ensure proper stewardship and governance;
 - Review regularly the adequacy and effectiveness of these arrangements.
- 5.2 Grant Thornton is required to give a value for money conclusion based on the following criteria:-
 - Proper arrangements for challenging how it secures economy, efficiency and effectiveness.

- 5.3 The outcome of this detailed review is included in Section 3 of the Audit Findings Report (**Appendix 1**). The key findings from this are as follows:-

Grant Thornton has determined that except for the matters they have identified in respect of the Ofsted inspection of Children's Services, the Council had proper arrangements in all specific aspects. Grant Thornton therefore propose to issue a 'qualified except for' value for money conclusion stating that the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness in its use of resources.

- 5.4 For the fourth year the Council has been deemed to have adequate arrangements in place, as represented by the green award symbol in the IAS 260 report. Green (the most positive outcome) in all categories this demonstrates the council is well placed to deal with the financial challenges that it is faced with.

- 5.5 This outcome is extremely positive within the current financial environment. This reemphasises that the authority has the support of officers, members, internal and external audit in ensuring that strong financial management continues.

6. RECOMMENDATIONS

- 6.1 As set out at the front of the report.